

JFMIP

Joint Financial Management Improvement Program

Annual Report of Results For Fiscal Year 2002 and Future Plans



Joint Financial Management Improvement Program

Annual Report of Results
For Fiscal Year 2002
and Future Plans

JFMIP OFFICIALS

PRINCIPALS:

David M. Walker, Chair
Comptroller General of the
United States

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Office Of Management and Budget

John W. Snow¹
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¹Secretary Snow Confirmed on January 30, 2003, Previous Secretary, Paul H. O'Neill

²Selected on November 19, 2002, Previous Chief Financial Officer, Kathleen M. McGettigan

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JFMIP PRINCIPALS



DAVID M. WALKER
COMPTROLLER GENERAL OF THE
UNITED STATES, AND CHAIR,
JFMIP PRINCIPALS



JOHN W. SNOW
SECRETARY OF THE TREASURY



MITCHELL E. DANIELS, JR.
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET



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U.S. OFFICE OF PERSONNEL
MANAGEMENT



JOSEPH L. KULL
DEPUTY CONTROLLER
OFFICE OF MANAGEMENT AND BUDGET



KAREN CLEARY ALDERMAN
EXECUTIVE DIRECTOR
JFMIP



KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER
GENERAL SERVICES ADMINISTRATION



I am pleased to report on another highly successful year for the JFMIP. All four JFMIP Principals have again demonstrated their commitment to improving financial management in the federal government through their personal involvement in JFMIP activities and by providing the leadership to address pressing government-wide financial management issues and helping to transform the way the federal government does business.

The series of regular meetings that the JFMIP Principals began in 2001 continued throughout 2002. The Principals focused their attention and deliberations on key government-wide financial management issues including:

- Restructuring the composition of the Federal Accounting Standards Advisory Board (FASAB) to enhance the independence of the board and increase public involvement in the standard setting process;
- Defining measures of success to evaluate financial management performance that go far beyond an unqualified audit opinion on financial statements and include measures such as financial management systems that routinely provide timely, reliable, and useful financial information and no material internal control weaknesses;
- Accelerating financial statement preparation to improve timeliness for decision making and to discourage costly efforts designed to obtain unqualified opinions on financial statements without addressing underlying systems challenges;
- Addressing impediments to achieving an unqualified audit opinion on the U.S. government's consolidated financial statements;
- Establishing audit advisory committees for the federal government as a whole and selected major agencies; and
- Presenting updated social insurance information in the U.S. government's consolidated financial statements.

I am proud of the remarkable progress made during the last 2 years during my tenure as Chair of the JFMIP Principals. As I pass the gavel to Mitchell Daniels, Director of the Office of Management and Budget, to serve as the Chair of the Principals for the next 2 years, I look forward to continuing the momentum for improving federal financial management and building on the strong working relationships that we have established during this period.

David M. Walker
Comptroller General
of the United States

The federal government faces unprecedented challenges. To meet these challenges, agencies must improve federal financial management performance as envisioned by financial management reform legislation enacted by the Congress in the 1990's and by the President's Management Agenda. Ultimately, the federal government must be able to routinely provide timely, accurate, and useful information on the results of its activities and operations to decision makers in all levels of government and the American public.

Improving federal financial management performance is one of five government-wide initiatives that comprise the President's Management Agenda. JFMIP contributes to improving financial management through a variety of activities. Key accomplishments for the past year include:

- publishing financial management systems requirement documents for the first time in two new areas: (1) acquisition/financial systems interface requirements, and (2) financial requirements applicable to revenue systems; also updated core financial system requirements;
- sponsoring a forum with the Private Sector Council on human capital challenges facing the financial management community such as changing core competencies and retaining and motivating quality employees in an environment of continuous change;
- sharing best practices on key system implementation issues such as data conversion and parallel software operation; and
- preparing an interagency study on payroll processing.

These accomplishments were the result of collaborative efforts across government. In particular, development of the acquisition requirements document was marked by unprecedented cooperation and interaction between the acquisition and financial management communities across the federal government, covering nearly every federal agency. This collaboration was a result of the facilitation process for which JFMIP is well known.

The JFMIP Principals, JFMIP Steering Committee, and JFIMP staff promote excellence in financial management and look forward to sustaining a long term record of accomplishments by building on a proud tradition of being at the forefront in helping to strengthen federal financial management systems, operations, and human capital decision making.

Jeffrey C. Steinhoff
Chair, JFMIP Steering Committee



M I S S I O N

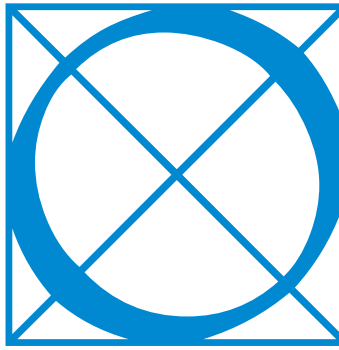
JFMIP's Mission

To improve financial management practices in the federal government through the cooperative efforts of OMB, GAO, Treasury, OPM, and the federal agencies.

The mission of the Joint Financial Management Improvement Program (JFMIP) is to improve financial management practices in the government through the joint and cooperative efforts of the U.S. Department of the Treasury (Treasury), the General Accounting Office (GAO), the Office of Management and Budget (OMB), the Office of Personnel Management (OPM), and all federal agencies. Since the passage of the Chief Financial Officers (CFO) Act in 1990, OMB, GAO, and Treasury have worked collaboratively with the CFO Council, which represents the interests of the federal agencies. JFMIP will work on initiatives to improve financial management as outlined in the President's Management Agenda for fiscal year 2003.

Financial management systems that support federal accounting needs are one of the key pillars for achieving the improvement in financial management envisioned by the CFO Act. Enactment of the Federal Financial Management Improvement Act (FFMIA) focused attention on the system structure needed to crystallize this vision – the implementation of federal accounting standards, compliance with uniform functional requirements for financial systems, and compliance with data requirements for transaction recording. JFMIP is working with our partners to bring about the changes needed to ensure that federal agencies have the tools for building financial systems that can deliver the complete, consistent, reliable, and timely financial information that is crucial to decision-making processes.

As an agent of change, the JFMIP coordinates the development and publication of functional requirements for financial management systems. In addition, a separate Program Management Office (PMO) is responsible for the testing and certification of commercial off-the-shelf (COTS) core financial system software for use by federal agencies. Finally, the JFMIP acts as a catalyst and clearing-house for sharing and disseminating information about good financial management techniques and practices.



O R G A N I Z A T I O N

Leadership and program guidance for the JFMIP are provided through the joint efforts of four Principals:

- Comptroller General of the United States
- Secretary of the Treasury
- Director, Office of Management and Budget
- Director, Office of Personnel Management.

The general direction of the JFMIP is determined by the JFMIP Steering Committee, which meets monthly to oversee projects and activities. This Committee includes a representative designated by each Principal, the Executive Director of the JFMIP and a representative of a program agency. The General Services Administration continues to serve as the program agency representative.

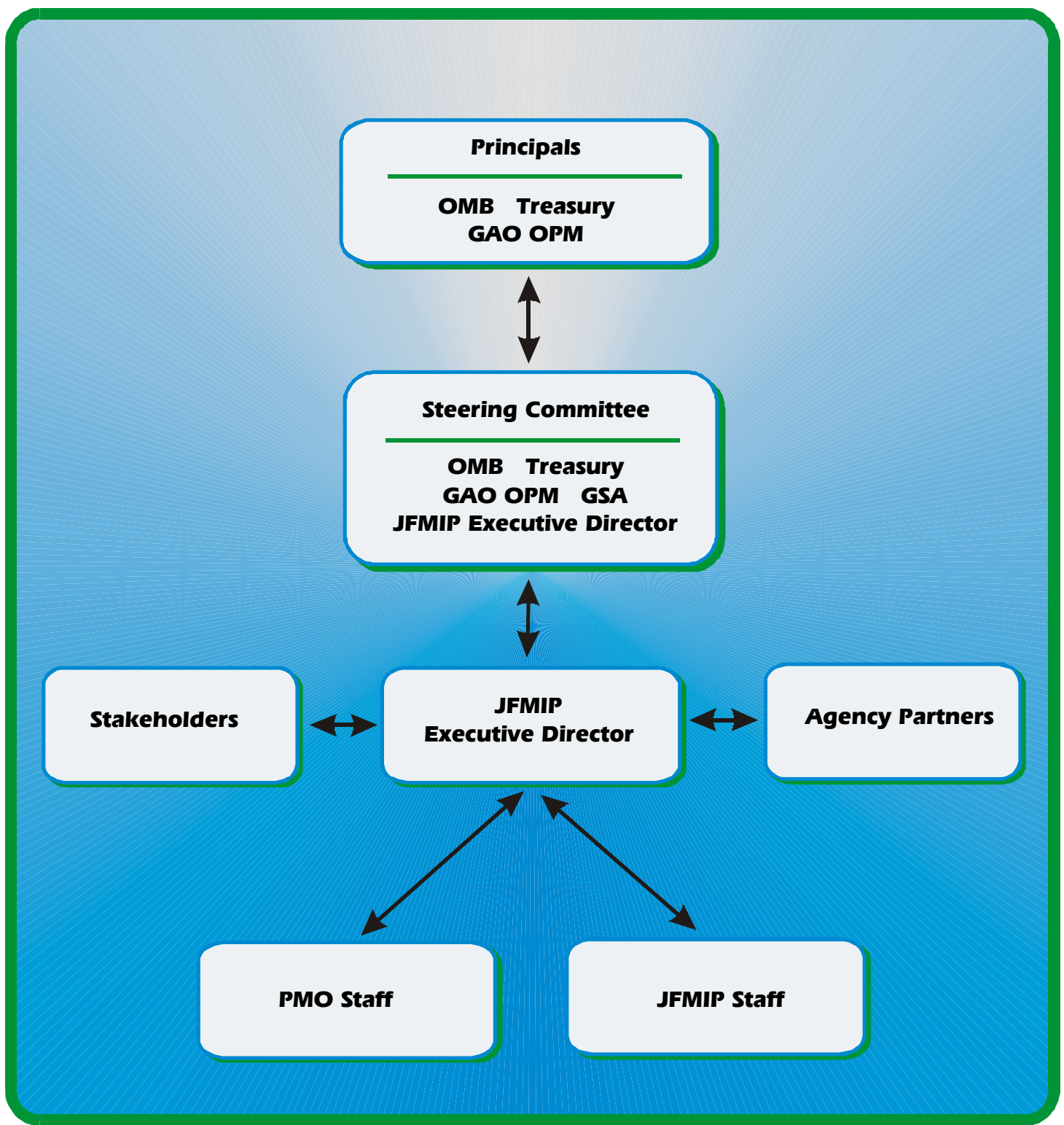
A small professional staff reports directly to the JFMIP Executive Director and carries out the day-to-day operational activities of the JFMIP. The JFMIP staff work on publishing functional requirements documents for federal financial management systems, disseminating information on financial management practices, and working on human resource issues. Also, the Executive Director manages the Program Management Office (PMO) that was established in 1999 using funds provided by CFO Council agencies. The PMO, which is separate from JFMIP, tests and certifies commercial software packages.

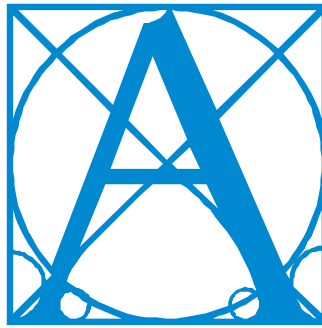
The JFMIP has provided developmental opportunities for federal employees with an interest in improving the federal government's financial management systems and practices. These developmental assignments may be as short as 30 days or longer than a year. During the past year, JFMIP hosted seven Executive Leadership Program participants and seven Executive Potential Program participants.

The success of activities sponsored by JFMIP depends greatly upon partnerships with the federal financial management community, central policy organizations, and other federal program communities. In fact, project teams that develop JFMIP requirements documents are typically led by representatives of major stakeholders, e.g., during 2001 and 2002, the Senior Procurement Executive for the U.S. Department of Agriculture provided leadership for the project that developed the *Acquisition/Financial Systems Interface Requirements* document. Senior financial and acquisition financial professionals from four different federal agencies led teams to complete the documentation effort. The quality and success of the JFMIP products reflect the talent and dedication of these agency and other representatives.

Figure 1 on the next page is a graphical presentation of the JFMIP organization and working relationships among the JFMIP Principals, JFMIP Steering Committee, JFMIP staff, PMO staff, stakeholders, and agency partners.

FIGURE 1
**JFMIP ORGANIZATION AND WORKING
RELATIONSHIPS**





A C C O M P L I S H M E N T S

ACCOMPLISHMENTS DURING FY 2002

The mission of JFMIP is to improve financial management in the federal government. The JFMIP Principals, JFMIP Steering Committee, and JFMIP staff work cooperatively with each other, with other senior level central agency policy officials, and with operating agencies to accomplish goals and objectives that contribute to improving financial management in the federal government.

The President's Management Agenda, which includes strategic management of human capital, and improved financial performance, is one of the primary driving forces underlying JFMIP activities. During the last eighteen months, the JFMIP Principals have held five meetings during which they committed personal time and attention to accomplishing a variety of goals and objectives. During these meetings the Principals focused their attention and efforts on a variety of high-level strategic goals and objectives for improving financial management in the federal government, some of which are supported in part by JFMIP activities, as follows:

- defined success measures for financial management performance that go far beyond an unqualified audit opinion on financial statements and include measures such as financial management systems that routinely provide timely, reliable, and useful financial information and no material internal control weaknesses;
- restructured the Federal Accounting Standards Advisory Board (FASAB) composition to enhance its independence and increase public involvement in setting standards for federal financial accounting and reporting;
- significantly accelerated financial statement reporting so that the government's financial statements are more timely and to discourage costly efforts designed to obtain opinions on financial statements without addressing underlying systems challenges;
- began the process of establishing audit advisory committees for the federal government as a whole and selected major agencies;
- addressed the impediments to obtaining an unqualified audit opinion on the U.S. Government's consolidated financial statements;
- addressed the matters of reporting and auditing social insurance financial information that is consistent between the reports issued by the Social Security and Medicare trustees and the U.S. Government's consolidated financial statements; and
- continued their efforts to ensure the use of full cost data in the budget decision making process to enhance the planning process and the evaluation of the cost of operations, and to enhance consistency and transparency relating to presentation of this information and greater accountability for results.

This active leadership and commitment of time and attention demonstrate their personal commitment to improving federal financial management and creates expectations and accountability for action.

During FY 2002, JFMIP staff activities supported priorities established by the JFMIP Steering Committee. Improving financial systems has been a major component of improving federal financial management for many years and has been a priority within the financial management community. The President's management goal to improve financial performance requires quality financial systems, data, and processes. Agencies must have financial systems that routinely produce information that is timely, useful, and reliable to improve accountability and program management. These systems must be capable of supporting effective decision making and ensuring accountability. In concert with JFMIP stakeholders, the CFO Council's Systems/e-government Committee, and others, JFMIP focused FY 2002 activities in the following areas:

- functional requirements for federal financial systems,
- federal financial human resources,
- special studies/projects, and
- information sharing and outreach.

These major categories of activities will be used throughout the report to provide information relative to accomplishments during FY 2002, as well as for FY 2003 and future plans. The primary purpose of this report is to provide information on 2002 accomplishments. Appendix A provides a summary listing of the JFMIP and PMO accomplishments during fiscal year 2002, in the order discussed herein. In addition, the continuing focus of the separate PMO has focused activities in the following area:

- core financial system software qualification testing.

FINANCIAL SYSTEMS REQUIREMENTS

A key goal of JFMIP is to provide a means for federal financial officials to convene to define requirements for federal financial management systems necessary to support statutes, Executive Branch policies and regulations, and federal accounting standards that are critical for improving federal financial systems and financial information. Such requirements provide a basis for agencies and vendors to develop, evaluate, and implement systems that support federal agency financial management.

These requirements have significant governmentwide impact on federal financial management. Moreover, the implementation of the requirements that are relevant to an agency is one of the conditions that must be met before substantial compliance with the Federal Financial Management Improvement Act can be achieved. The issuance of these common requirements helps ensure that commercially available software is designed to meet these standards, that system development time and cost are reduced, and that the market for federal financial system software is organized.

The JFMIP financial management system requirements documents are produced through a rigorous analysis process and represent governmentwide consensus of must-have functionality. The *Framework for Federal Financial Management Systems* document ties together the existing series of JFMIP financial systems requirements documents. The requirements documents serve as a basis for gap

GOAL: Provide means for federal financial officials to convene to define functional requirements for federal financial management systems.

Issued updated Core Financial System Requirements;

Issued Acquisition/Financial Systems Interface Requirements; and

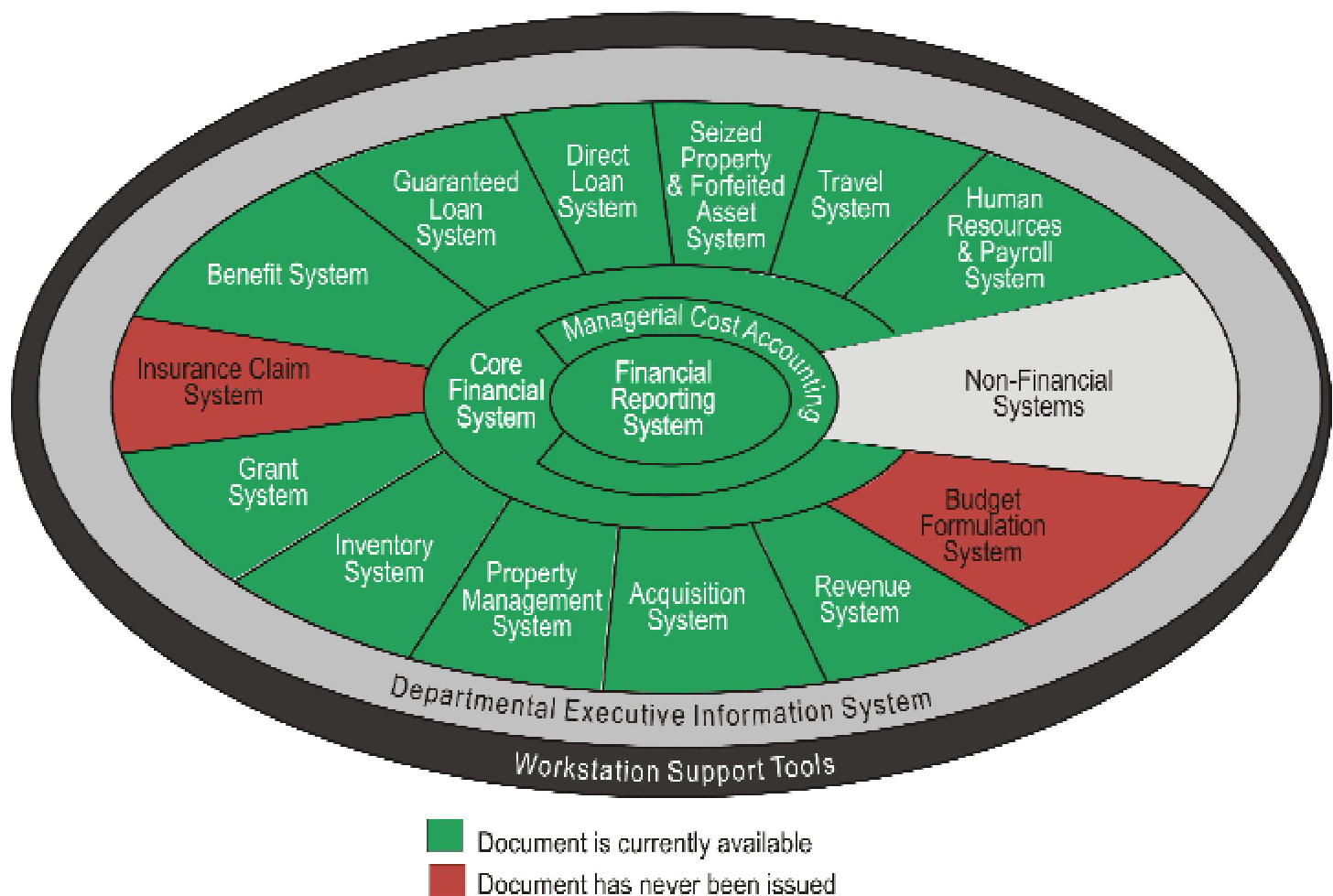
Issued exposure draft for Revenue System Requirements.

analysis and help justify agency system improvements or replacements. The documents also help organize the private sector market by communicating mandatory functionality that commercial software must address, as well as identifying value-added features desired by federal agencies.

The *Framework for Federal Financial Management Systems*, issued in 1995, identified 15 components of a financial management system, including the core financial system, managerial cost accounting system, and 13 subsidiary financial systems, as shown by the accompanying agency systems architecture graphic: (1) Human Resources & Payroll; (2) Travel; (3) Seized Property & Forfeited Assets; (4) Direct Loans; (5) Guaranteed Loans; (6) Benefits; (7) Insurance Claims; (8) Grants; (9) Inventory; (10) Property Management; (11) Acquisition; (12) Revenue; and (13) Budget Formulation. Figure 2, below, is a graphical representation of this information.

FIGURE 2

AGENCY SYSTEMS ARCHITECTURE - SEPTEMBER 2002



During 2002 the JFMIP Steering Committee directed effort that was initiated in 1998 to update or publish requirements documents for all components of the financial management system came closer to completion.

Core Financial System Requirements, which was initially issued in 1988 has been updated twice, once in February 1999, and again in November 2001. Both of these updates were accomplished in conjunction with the JFMIP core financial system software qualification testing process discussed later in this report. As the result of work initiated in FY 2001, JFMIP refined and clarified existing core financial system requirements and incorporated new requirements established after 1999. The revised core requirements document was issued in November 2001.

During FY 2001 and FY 2002, JFMIP collaborated with the Procurement Executives Council on the development of *Acquisition/Financial Systems Interface Requirements*, for which a final document was issued in June 2002. The Project Leader was the Senior Procurement Executive from the U.S. Department of Agriculture. A group of senior acquisition and financial officials from most federal agencies contributed significantly to the effort.

A project was also initiated in FY 2002 to develop a revenue system requirements document. The Department of the Treasury, U.S. Customs Service Deputy CFO led the project and representatives from 23 agencies participated in the effort. An Exposure Draft was published in July 2002, and a final document was published early in FY 2003.

During FY 2002 JFMIP also established a project to update *Inventory System Requirements*. The purpose of this project is to update the 1995 document to reflect changes in laws, regulations, and policies that have affected inventory programs during the ensuing years. The scope of the document is inventory (held for sale); operating materials and supplies; and stockpile materials. The purpose of the project is to develop the minimum requirements for an inventory system, as well as value-added functionality, to facilitate COTS development. Plans are in place to publish a final document by the end of FY 2003.

WHITE PAPERS

During FY 2002, JFMIP issued white papers on various aspects of system implementation. In October 2001, JFMIP issued the first white paper, entitled "Parallel Operation of Software, Is It a Desirable Software System Transition Technique?" This white paper assists agencies in developing appropriate risk mitigation strategies when transitioning to new financial systems, especially to COTS software for which existing business processes must be reengineered. In December 2002, JFMIP issued a second white paper, entitled, "Financial System Data Conversion – Considerations." This white paper raises the awareness of financial systems data conversion issues that should be addressed by financial management executives and project managers. The paper addresses the key considerations regarding data conversion and cutover to a new system; the best approaches in implementing the project; and processes that will reduce risk. Both papers are posted on the JFMIP web site (www.jfmip.gov).

FRAMEWORK PROJECT

In July 2002, JFMIP kicked off an interagency effort to revise the JFMIP *Framework for Federal Financial Management Systems*. The Framework currently describes the various financial systems and processes covered in specific JFMIP requirements documents and how they should be integrated. The emergence of integrated business systems has increased the need for collaboration among a much broader set of stakeholders. Financial management systems support mission performance at all levels within agencies and throughout the federal government. At the same time, financial systems planning, acquisition and operation must fit within the broader investment planning and control framework. To be successful, there must be effective partnerships among the CFO's, CIO's, and other program and administrative executives. Since the Framework document was last issued in 1995, both technology and implementation practices have evolved, especially in regards to recent CIO Council and community efforts to develop the Federal Enterprise Architecture. The new Framework will meet JFMIP's traditional objective to maintain the Framework document as part of the Federal Financial Management Systems Requirements series, and at the same time will present information on how financial management follows the government-wide enterprise architecture and IT objectives. The framework document is planned for completion in September 2003.

PROGRAM MANAGEMENT OFFICE (PMO):

SOFTWARE QUALIFICATION TESTING

A key goal of the separate PMO has been to manage a test and qualification process to ensure that vendor software offerings are capable of satisfying federal requirements. This testing mission is conducted under the direction of the JFMIP Executive Director by the PMO, using funds provided by CFO Council agencies. During FY 2003, the JFMIP Steering Committee will assess how to change the financial management system testing and qualification process to better assure that the systems acquired by agencies meet reporting and performance expectations in support of financial management missions. A major accomplishment during FY 2002 was to update, expand, and improve the PMO test and qualification process to support core requirements issued in November 2001. The revised test was published on the JFMIP website in September 2002.

Also, the PMO conducted two tests (the original core test and the related incremental test) of a new software version based on existing tests, as requested by one software vendor. As part of this effort, the PMO updated the incremental test (developed in FY 2000) to reflect significant changes to FACTS II reporting requirements that became effective for FY 2002 financial reporting.

As of September 2002, 10 software applications offered by 7 commercial vendors and one government cross servicing organization held certificates of compliance with the *Core Financial System Requirements* published in February 1999, as listed in the accompanying

GOAL: Has been to conduct tests of commercial off-the-shelf (COTS) core software to ensure that vendor software offerings are capable of satisfying federal requirements.

Tested COTS software using the existing test.

Updated test materials to conduct the next test cycle.

table. These certificates are valid for a three-year period from the date they were issued. All of them are scheduled to expire during FY 2003.

To qualify for new certificates, COTS software must be certified through the new Qualification Test process during FY 2003. To prepare for this process, JFMIP updated the core requirements in November 2001, and the PMO invested extensively in the development of a new qualification test and related test tools during FY 2002. In preparation to update the requirements, the PMO staff focused activities in a number of areas as follows:

- Met extensively with agencies that were implementing COTS software, as well as all of the COTS software vendors, to gather information about how effectively COTS software met core requirements in actual agency implementations;
- Reviewed work papers from the previous tests that were conducted during FY 1999 and FY 2000 to identify areas for improvement; and
- Commissioned a formal review of the qualification test to determine what improvements could be made.

Based on this review, the PMO significantly improved the underlying technology used in the test process. This improvement was accomplished as a result of the development of a test tool called the JFMIP Computer Aided Test Tool (JCATT) that provides the capability to automate processes that were previously accomplished manually. This automated tool is a relational database with a customized front end that the PMO developed specifically to accomplish a variety of goals and objectives as follows:

- Improve the accuracy and efficiency of test formulation and distribution. The new test tool provides more input controls to prevent human error that can otherwise occur when formulating test case scenarios.
- Provide more flexibility in developing tests of core financial systems. For example, the initial test administered in FY 1999 did not contain data needed to meet new FACTS II reporting requirements. Subsequently during FY 2000, the PMO developed an “incremental” test to substantiate that vendors offering previously “certified” packages incorporated the new FACTS II functionality. The incremental test was designed to be a separate stand-alone test, in part because of the complexity and level and effort that would have been required to incorporate the new functionality within the original test.
- More easily test new or modified requirements, as they become known. As opposed to the older test, which was largely paper based, the government now has an automated test tool that greatly improves the efficiency of test development.
- Enable the government to increase test accuracy by providing tools that help testers track financial events much more accurately than in the past. The improved accuracy helps the PMO to test in a more precise manner.
- Allow the government to add other non-core requirements to the test bed if the government decides to expand the test into other areas.
- Incorporate revisions to the test that might be required resulting from incremental requirements much more easily. The tool will automatically generate test scripts, standard reports and other outputs.

The FY 2002 PMO investment in JCATT will provide a continuous long-term return on investment in several ways. First, it will help avoid costs by leveraging technology to improve efficiency (i.e., resources and time needed to complete tests). More importantly, the tool will provide a qualitative benefit by indirectly improving the quality of COTS software available to agencies through improving the quality and rigor of the test.

American Management Systems, Momentum, Version 3.7

American Management Systems, FFS, Version 5.6

Digital Systems Group, IFMIS, Version 5.1.6

SAVANTAGE Financial Services, Federal Financial Assistant,
Version 3.01

SAVANTAGE Financial Services, Core Financial System,
Version 2

Oracle, U.S. Federal Financials, Release 11i

Orion Microsystems, GLOWS, Version 5

PeopleSoft, Financials for Education and Government,
Version 7.5, SP2

SAP, R/3 with Industry Solution Public Sector (ISPS)
mySAP.com with ISPSmySAP Financials with ISPS, Version 4.6

U.S. Dept. of Interior, National Business Center, DOI Central
Accounting System, based on AMS FFS Software Version
5.1.7.1D

Second, the PMO significantly expanded the qualification test to address clarified requirements and to include more transactions to more fully test the core requirements. Agencies implementing tested software identified needed improvements where COTS software packages did not adequately meet requirements. For example, if the implied intent of the requirement was that a process must be performed automatically, such requirements were updated to specifically state, “automatically perform...” With clarified requirement language the PMO is able to directly improve the qualification test materials to target known software deficiencies.

The PMO has partnered with Department of Treasury to test automated interfaces for FACTS II reporting and Treasury disbursing functions. The PMO established a testing protocol in partnership with the Department of Treasury’s Austin Regional Disbursing Center whereby payment files generated by the COTS software during the test will be processed by Treasury to ensure the validity of file formats in accordance with Treasury specifications and that the files can be processed by Treasury’s payment system.

During 2003, the PMO plans to develop training materials for the staff that will test and grade COTS software in the Qualification Test. In addition, during FY 2003 the PMO plans to conduct tests of all COTS software packages that are currently certified. Agencies can anticipate in COTS software improvements that will positively affect their agency's ability to meet its financial management needs. All core financial system requirements, qualification test materials, and test results are posted on www.jfmip.gov.

HUMAN RESOURCES

The strategic management of human capital is one of government-wide issues of the President's Management Agenda and recognized as a high-risk area by the General Accounting Office. JFMIP supports the CFO Council's Human Capital Committee to improve the federal financial work force. JFMIP continues to sponsor educational and outreach activities and supports financial management human capital development.

FEDERAL FINANCIAL MANAGEMENT WORKFORCE OF THE FUTURE

The federal government is facing a human capital crisis with an aging workforce, with approximately one-third of the financial workforce eligible to retire by 2005. In February 2001, the General Accounting Office (GAO) added human capital management to the "high-risk list" of federal activities. In August 2001, the President's Management Agenda also identified the strategic management of human capital as one of its government-wide initiatives.

GOAL: Promote financial management human capital development.

Human capital forum.

Hosted fourteen participants in two executive development programs.

At the direction of its Steering Committee, the JFMIP staff began a study in January 2002, to identify, analyze and address the issues critical to the effectiveness of the federal financial management workforce. The study will describe the current state of the financial management workforce, identify the key challenges to financial management human capital strategy, and suggest ways as to how the financial management community can resolve these issues. The study is to raise awareness of

the human capital challenges facing senior financial management leaders and urge them to plan and work on transforming the financial management workforce from transaction processors to a more analytic workforce providing reliable and timely financial information and decision support.

As part of the study, the JFMIP and the Private Sector Council co-sponsored a forum on September 26, 2002 on financial management human capital issues. Highlights from the forum were posted on the JFMIP website shortly after the forum was held. During FY 2003, JFMIP plans to complete this study of human capital for the federal financial management community and strategies to effectively address these challenges.

DEVELOPMENTAL ASSIGNMENTS

JFMIP provided opportunities to a number of individuals on developmental assignments to gain or broaden their knowledge on federal financial management. Participants came from the Executive Leadership Program for Mid-Level Employees and the Executive Potential Program. The developmental assignments gave each participant a unique perspective and valuable experience in an area specific to the individual's developmental objectives.

DEVELOPMENTAL ASSIGNMENTS AT JFMIP DURING 2002

EXECUTIVE LEADERSHIP PROGRAM

Two Employees	CIA
Ann E. Roseman	Naval Air Warfare Center, China
Alicia Hilton	Navy SPAWAR
C. Dianne Barnes	Army Corps of Engineers
Sheila Brooks	National Guard
Minh-Thuy Nguyen	Environmental Protection Agency

EXECUTIVE POTENTIAL PROGRAM

Gail McFadden-Roberts	Federal Transit Administration
Harvey Wong	Department of Energy
Lloyd Butler	Environmental Protection Agency
Sandra L. Williams	Environmental Protection Agency
Christian Obineme	Department of Agriculture
Stephanie Moore	Department of Commerce
CDR Daniel J. Christovich	US Coast Guard

SPECIAL STUDIES/PROJECTS

Throughout the year JFMIP performs a variety of studies and projects, as identified by the JFMIP Steering Committee members. Two of these are discussed as follows.

FEDERAL PAYROLL PROCESSING STUDY

At the request of OMB, JFMIP staff led a study to identify actions necessary to improve Federal payroll processing. The objective was to examine federal civilian payroll service delivery from a government-wide perspective and develop options and recommendations for future investment in payroll systems and services.

The JFMIP Payroll Study officially commenced October 10 with the forming of the “Payroll Working Group”, which included stakeholder departments and agencies and representatives from OMB. On November 9, the study concluded with a report submitted to OMB entitled “JFMIP Staff Interagency Study for OMB to Improve Federal Payroll Processing.” The report stated that simplifying and unifying various elements of the Human Resources (HR)/Payroll process and consolidation and integration of HR and payroll systems across government could provide several hundred million dollars of savings government-wide and significantly reduce future information technology (IT) investments. Recommendations included that the following strategy should be pursued: (1) establish central governance over the HR/Payroll function; (2) standardize HR/Payroll policy and processes to the extent practicable; (3) develop an integrated government-wide enterprise architecture for HR/Payroll systems; and, (4) consolidate HR/Payroll service delivery.

GOAL: Conduct Special Studies and Projects

Conducted study of payroll operations.

Issued study on building workforce capacity to implement financial systems.

OMB took action on the JFMIP study through a December 21 memorandum that integrated existing HR/Payroll initiatives; designated OPM as the “managing partner” for HR/Payroll initiatives under the Internal Efficiency and Effectiveness (IEE) steering group of the “e-Government” effort; and established processes to develop an integrated HR/Payroll solution architecture and to develop the business case to support funding capital investment and migration decisions.

FEDERAL FINANCIAL SYSTEMS WORKFORCE

The JFMIP and Chief Financial Officers Council Human Capital Committee completed a report on *Building the Workforce Capacity to Successfully Implement Financial Systems*, which was issued in April 2002. The findings of the study indicate that the Federal government is not able to compete successfully for the talent pool of project managers and system personnel needed to implement financial systems. The study report defined a model financial system implementation team, and included recommendations to improve ways to recruit, retain and train project managers and team members.

INFORMATION SHARING, EDUCATION AND OUTREACH

A critical element for JFMIP is to communicate with the federal financial community, private sector partners, the media, and other stakeholder organizations. As a representative of the federal financial community, JFMIP has an outreach strategy that includes active involvement in various committees and councils impacting federal financial management; disseminating information about JFMIP programs and other topics of broad interest through various newsletters, publications and trade journals; participation and leadership in financial conferences, seminars, and work groups; and providing new JFMIP products, news and information through www.jfmip.gov.

JFMIP relies upon www.jfmip.gov as a strategic vehicle to deliver new products and information about its programs to stakeholders. As part of JFMIPgov, the *JFMIP Knowledgebase*, provides the primary venue for supporting and communicating the Core Financial System Qualification Test Process. The Knowledgebase continues to be an effective vehicle to communicate information regarding the latest *Core Financial Systems Requirements* and the revised Financial Systems Software Qualification Test Process that was posted in September 2002. The *Financial Systems Road Map* is a resource library to directly support agency project managers, staff and vendors. It continues to expand as part of the JFMIP Knowledgebase.

GOAL: Leverage information sharing through an electronic repository for financial management software and related information.

JFMIP maintains an electronic Knowledgebase that contains information on systems requirements, core financial system testing process and financial system planning, acquisition, implementation and maintenance.

Hosted 31st Annual JFMIP financial management conference and presented Scantlebury Awards for distinguished leadership.

Conducted conferences, forums, and workshops; and worked with interagency councils to ensure that the financial management workforce receives high quality training.

EDUCATION AND OUTREACH

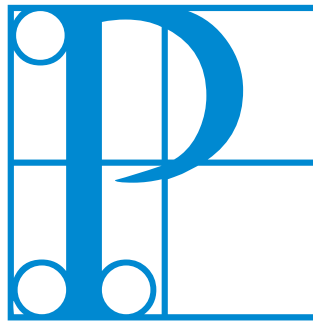
JFMIP sponsors an annual conference that features leading experts on current challenges facing federal financial managers. On March 12, 2002, JFMIP sponsored its 31st annual financial management Conference on “The President’s Management Agenda—Getting to Green.” Mark Everson, then Controller of the Office of Management and Budget, highlighted the government-wide initiatives under President’s Management Agenda—strategic management of human capital, improved financial performance, e-government, competitive sourcing, and budget and performance integration and the Executive Branch Management Scorecard. Specific sets of standards for success have been developed and are used to grade agencies on the current status and progress made in these five areas. Keynote speakers were Stephen Perry, Administrator, U.S. General Services Administration, Secretary of Treasury Paul O’Neill, and Comptroller General David Walker, who discussed the tremendous challenges facing financial managers today. The five government-wide initiatives were discussed in more details by panel sessions held throughout the conference.

The presentation of the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management improvement in the public sector is one of highlights of the conference. These awards commemorate Don Scantlebury, a dynamic leader whose ideas and actions brought significant advances to financial management. This year’s award recipients were Larry J. Eisenhart, Deputy Chief Financial Officer, U.S. Department of State; and Jim Petro, Auditor of State of Ohio. Mr. Eisenhart was recognized for his keen vision and innovative strategies at the State Department that created an environment in which financial management has been significantly transformed. Mr. Petro was an agent of change and restored professionalism, excellence and integrity to Ohio’s State Auditing office.

JFMIP sponsors other conferences, forums, workshops and meetings to promote better financial management policies and practices. The JFMIP has worked cooperatively with interagency councils and professional organizations to ensure that the financial management workforce receives high quality training. We will continue to partner with the financial management community to develop and host educational events that inform and promote excellence in financial management.

The *JFMIP News* is another important element of our outreach strategy to communicate best practices and current financial management issues to the financial management community. The newsletters are issued quarterly and posted on the JFMIP website. Some of the regular features in the newsletters include profiles of senior financial management leaders, the JFMIP Executive Director’s Joint Perspective, updates from the Federal Accounting Standards Advisory Board and the Chief Financial Officers Council and its committees.

The Executive Director and staff members made presentations at various educational events, including those sponsored by the Department of the Treasury, Department of Energy, Department of the Interior, Association of Government Accountants, American Society of Military Comptrollers, and the American Association for Budget and Program Analysis.



P L A N S

PLANS FOR 2003 AND BEYOND

During FY 2003, the JFMIP Steering Committee will undertake a review of the **strategic direction** of JFMIP activities for the next three to five years. The JFMIP agenda will be driven by the active engagement of the JFMIP Principals and the governmentwide needs stemming from the challenge of the President's Management Agenda. The key areas will be financial systems requirements, core financial system software testing through the PMO, human capital, and special projects.

During FY 2003, JFMIP and the PMO will continue to maintain the Knowledgebase as a cornerstone of our **information sharing** activities. This electronic repository is an important tool for JFMIP to communicate system requirements, details on test materials and results, and agency plans to purchase new systems. JFMIP will continue to develop white papers on key issues for financial system implementation. During 2003, we also plan to eliminate nearly all of the traditional hardcopy publication of our requirements documents, newsletter, etc., in favor of electronic posting on www.jfmip.gov.

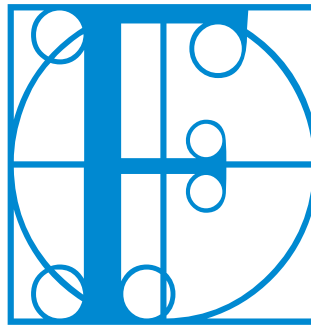
During FY 2003 JFMIP and the PMO will continue to support key elements of our **education and outreach** strategy with our annual conference and other communication vehicles. We will recognize excellence in financial management improvement in the public sector through our awards process, and we will host participants from various developmental programs, such as CFO Fellows, Executive Leadership Program, Executive Potential Program, and other interns. Through these efforts, we will contribute to the development of high quality human resources within the federal government. We will continue to partner with committees of the CFO Council to improve financial management.

In the area of financial management systems requirements, tremendous progress has been made since 1998. The JFMIP and PMO efforts to develop and update **system requirements documents** will continue during 2003, with plans and actions underway to publish documents for revenue systems and inventory systems. We will also be working with the information technology (IT) community to update the *Framework for Federal Financial Management Systems* document. In the future, we will develop budget formulation and insurance claims system requirements, when key stakeholders are available to lead these projects. This will complete the development of all system requirements in the agency system architecture.

During 2003, PMO resources will be heavily concentrated on the core system testing and qualification process. We will be busy working on using the **software qualification test** that was developed during 2002, to conduct tests of software for which certificates are expiring and vendors applied for tests to be conducted. Four of the current certificates of compliance expired on September 30, 2002. Our goals are to conduct tests between February and June 2003. During FY 2003, the JFMIP Steering Committee will assess how to change the financial management system testing and qualification process to better assure that the systems acquired by agencies meet reporting and performance expectations in support of financial management missions.

During 2003, JFMIP and the PMO will continue to work on **special studies** on human capital issues. JFMIP plans to issue a draft report on The Federal Financial Management Workforce of the Future in late winter. It will also continue to support the work of the Human Capital Committee of the CFO Council to address issues of the recruitment, retention and professional development of the financial management workforce.

During 2003, JFMIP plans to work with agencies to establish an electronic federal financial managers' database that will be accessible through the Internet. JFMIP remains committed to effectively communicating relevant financial systems information and heightening the dialogue among various stakeholders.



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FY 2002 FINANCIAL HIGHLIGHTS

There is no direct appropriation to fund the activities of the JFMIP staff offices. The General Services Administration provided administrative support services during the past fiscal year. While we do not maintain our own financial management system, we do carefully monitor the flow of resources that are entrusted to us. The figures displayed in this report are based upon budgetary flows, which are not audited. Since these resources are part of the Working Capital Fund of the GSA, they are included in the audited financial report of GSA.

SOURCES OF FUNDS

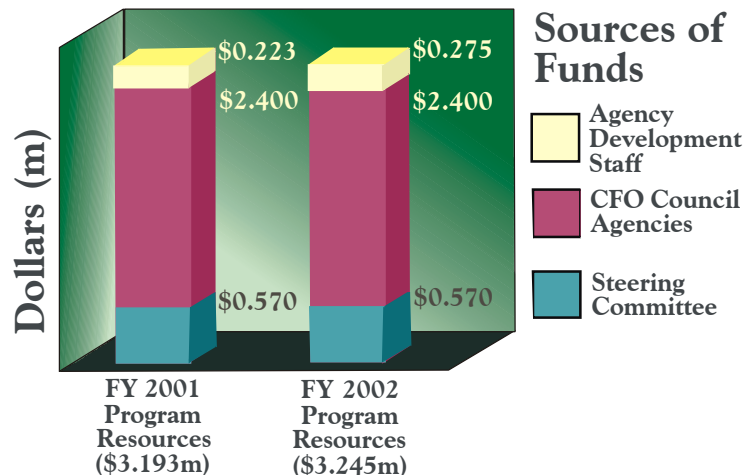
Resources for the activities of the JFMIP are funded by contributions from the 24 major agencies and departments that are frequently referred to as the CFO Act agencies; through interagency agreements with the four Principals and GSA; and through the use of developmental staff through a variety of government-wide and agency programs, e.g., CFO Council Fellows Program.

The FY 2002 CFO Council budget submission specifically identified four priority areas as follows: (1) Develop/issue financial management systems requirements; (2) Maintain core financial systems software testing for vendor products, agency cross service providers and establish system compliance review tools; (3) Improve shared information by maintaining electronic repository for financial management system software; and (4) Human resources and other special projects.

During FY 2002, agencies contributed \$2.4 million (74%); JFMIP Principals and GSA contributed \$570,000 (18%); and developmental staff contributed approximately \$275,000 (8%) through the salaries and benefits paid by their parent agencies. As shown by the accompanying chart, this compares with FY 2001, as follows: agency contributions \$2.4 million (75%); JFMIP Principals and GSA \$570,000 (18%); and developmental staff \$223,000 (7%).

SOURCES OF FUNDS

- FISCAL YEARS
2001 & 2002



USES OF FUNDS

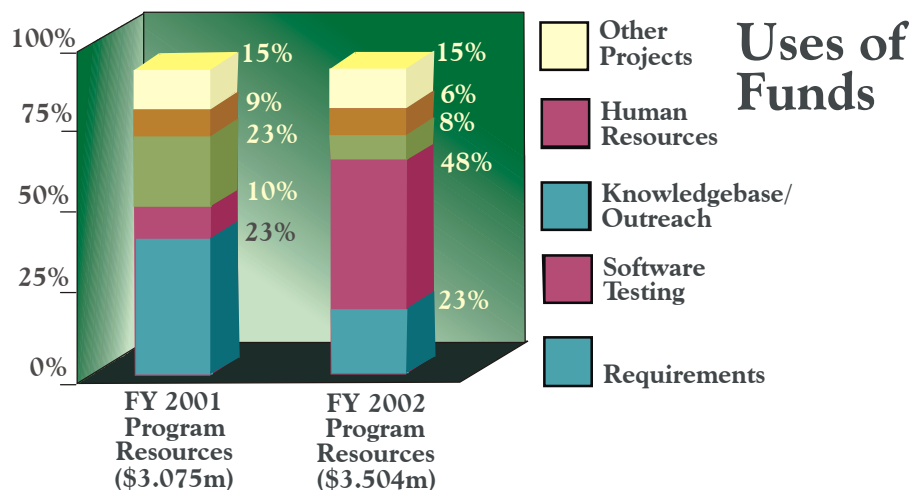
As shown by the accompanying chart, JFMIP and the PMO used total resources of approximately \$3.5 million during FY 2002, with approximately \$570,000 related to the JFMIP staff and approximately \$2.4 million related to the PMO staff and activities. As shown by the chart, JFMIP and the PMO used resources of approximately \$3.504, during FY 2001, with approximately \$570,000 related to the JFMIP staff and the remaining \$2.675 million related to PMO staff and activities. The primary differences between sources and uses of funds between FY 2001 and FY 2002 are the result of programming/obligating funds in one year and performing the work/utilizing the funds in another.

The major categories of spending for mission activities are consistent with our goals. The assignment of costs to these activities is based upon management's assessment of input from project managers and the use of a reasonable allocation methodology. General administrative costs have been distributed to the primary mission activities, and the costs associated with the efforts from developmental details are based upon comparable contractor rates. The "Uses of Funds" chart highlights the development and publication of updated requirements documentation during FY 2001, and the transition during FY 2002 to the development of test materials for conducting the next cycle of core software testing during FY 2003.

During FY 2002 the cost for developing and issuing requirements documents was \$794K. These costs include the salaries and expenses for contractors and personnel assigned to JFMIP as well as the costs for publishing and distributing the documents. The development and publication of requirements documents represented 23% of our total costs. Software testing costs incurred by the PMO represent approximately 48% of total costs or \$1,699K. This figure includes the costs incurred for the development and administration of the software qualification and incremental tests.

The cost for Knowledgebase and Outreach represents \$269K or 8% of our total costs. The activities included in this category are the maintenance of the JFMIP website and Knowledgebase, the issuance of the JFMIP newsletters and annual report, and the hosting of our annual conference. Approximately 6% of the JFMIP funds, or \$217K were directed towards human resources projects, including the issuance of core competency documents and the study on project management personnel implementing financial systems. The costs of other miscellaneous activities, such as planning, CFO Council projects and lessons learned represented \$525K, or 15% of the total costs.

USES OF FUNDS - PERCENTAGE (%) OF TOTAL FUNDS





A P P E N D I X A

ACCOMPLISHMENTS DURING 2002

JFMIP

FINANCIAL SYSTEMS REQUIREMENTS

- Updated *Core Financial System Requirements*
- Issued *Acquisition/Financial Systems Interface Requirements Exposure Draft*
- Issued *Non-Income Tax Revenue System Requirements Exposure Draft*
- Issued White Papers on Various Aspects of System Implementation
- Initiated Project to Update *Framework for Federal Financial Management Systems*

FEDERAL FINANCIAL HUMAN RESOURCES

- Conducted 31st Annual JFMIP Conference
- Presented Donald L. Scantlebury Leadership Awards
- Hosted Fourteen Developmental Program Participants
- Conducted Federal Financial Workforce Forum
- Prepared Draft Paper on Financial Workforce of the Future

SPECIAL STUDIES/PROJECTS

- Conducted Federal Payroll Processing Study
- Issued *Building the Work force Capacity to Successfully Implement Financial Systems*

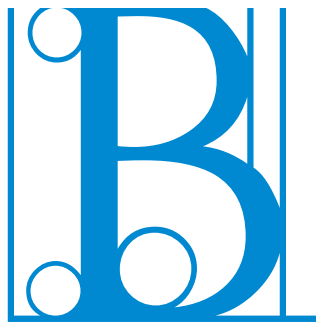
INFORMATION SHARING AND OUTREACH

- Published Four Quarterly JFMIP Newsletters
- Continued to Maintain and Enhance www.jfmip.gov Website
- Continued Implementation of On-Line Financial Managers Directory

PMO

SOFTWARE QUALIFICATION TESTING

- Conducted Software Qualification Test
- Updated Qualification Test for Next Software Testing Cycle
- Posted test matrix on website
- Updated qualified software list and supplemental information
- Posted agency procurement plans and other market information
- Expanded Knowledgebase



A P P E N D I X B

PLANS FOR 2003 AND BEYOND

JFMIP

STRATEGIC DIRECTION

- Evaluate Future Strategic Direction of JFMIP efforts

FINANCIAL SYSTEMS REQUIREMENTS

- Issue *Revenue System Requirements*
- Issue *Inventory System Requirements*
- Issue *Framework for Federal Financial Systems*

FEDERAL FINANCIAL HUMAN RESOURCES

- Conduct 32nd Annual JFMIP Conference
- Present Donald L. Scantlebury Leadership Awards
- Host Developmental Program Participants
- Complete Federal Financial Workforce Study

SPECIAL STUDIES/PROJECTS

- Conduct and Complete as Studies and Projects are Identified

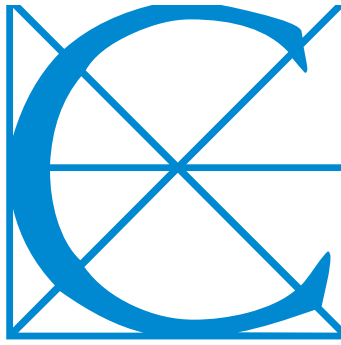
INFORMATION SHARING AND OUTREACH

- Publish Four Quarterly JFMIP Newsletters
- Continue to Maintain and Enhance www.jfmip.gov
- Complete Transition to Electronic Publication of Documents
- Complete On-Line Financial Managers Directory

PMO

SOFTWARE QUALIFICATION TESTING

- Conduct Software Tests
- Update qualified software list and supplemental information



C O N T A C T I N F O R M A T I O N

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